SHANKARA BUILDING PRODUCTS LIMITED

RISK MANAGEMENT POLICY

Adopted on 2nd February, 2022

1. BACKGROUND

Requirement as per Companies Act, 2013 ('the Act'):

- Responsibility of the Board: As per Section 134(3) of the Act, requires the Board of Directors of a Company, as part of the Board's Report, to furnish a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.
- Responsibility of the Audit Committee: As per Section 177(4) of the Act, Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include- (vii) Evaluation of internal financial controls and risk management systems.
- Responsibility of the Independent Directors: As per Schedule IV of the Act [Section 149(8)] - Code for Independent Directors II. Role and functions: The independent directors shall: (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct; (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

Requirement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"):

- Regulation 17(9) of the Listing Regulations, requires the Company to lay down procedures about risk assessment and risk minimization.
- Regulation 21 of the Listing Regulations, requires the Risk Management Committee to formulate detailed risk management policy which shall include:

  a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  c. Business continuity plan.

2. OBJECTIVE

The Management of Shankara Building Products Limited (the "**Company**") believes in enabling long term sustainable growth by creating a robust risk management framework involving identification, evaluation & management of risks by partnering with businesses and its associate functions. The Company continuously identifies the risk that it faces such as financial, liquidity, regulatory, legal and other risks and evaluates the same in line with the overall business objectives, functioning and growth of the Company.

The objective of this risk management policy (this "**Policy**") are:

- ❖ To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- ❖ To establish a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, cyber security risks or any other risk as may be determined by the Risk Management Committee ("the Committee") for the company's risk management process and to ensure its implementation.
- ❖ To measure risk mitigation including systems and processes for Internal Control of identified risks.
- ❖ Business Continuity Plan.
- ❖ To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- ❖ To assure business growth with financial stability.

The framework for identification of internal and external risks is framed by the Company as a comprehensive set of components that provide the foundation for implementing, monitoring, reviewing and continually improving risk.

The Board of Directors of the Company and Audit Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

3. RISK MANAGEMENT COMMITTEE:

COMPOSITION:

The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

MEETINGS

The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings on a continuous basis. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

4. RISK MANAGEMENT PROCESS

Risk Management Process shall comprise of the following steps:

- Risk Identification
- Risk Analysis and Evaluation
- Risk Mitigation
- Risk Monitoring and Review

4.1 **Risk Identification:**

Risks that impact the Company's business are broadly classified as follows:

(i) **Strategic Risks (Responsibility: Top Management)**

Strategic risks are the risk arising due to the management decisions with respect to market, business growth, delivery model, etc. which can have adverse effect on the business objectives. This can further impact sustainability of business in long term.

(ii) **Legal Risks (Responsibility: Legal Team)**

For all legal and related issues, advice must be sought from the legal department. If there is any deviation from the standard clauses, legal department shall suitably approve the said changes. The legal risks shall cover following clauses to minimise the risks e.g. changes in law, legal remedies, resolution of disputes, force majeure, confidentiality etc.

(iii) **Business Risks (Responsibility: Business Heads)**

Business risks are the risks which impose uncertainty in revenues or risk of losses which could be harmful to business, e.g. project management & time risks, client preferences, increase in competition etc.

(iv) **Operational & Technical Risks (Responsibility: Business Heads)**

Operational and technical risks are the risks arising from people, systems and processes through which the Company operates.

(v) ESG and Sustainability Risks (Responsibility: Top Management)

ESG related risks are the environmental, social and governance-related risks and/or opportunities that may impact an entity.

Sustainability risks are the risk that negatively impact the environment and the people involved in the supply chain. Climate change, water scarcity, disease, and poor labour conditions are some key factors that increase sustainability risk.

4.2 **Risk Analysis and Evaluation:**

It is the process of analysing the risks in terms of probability of occurrence and magnitude of impact. 'Impact' and 'Probability' determines the 'Severity of Risk' which aids to prioritize the risks which expects immediate action.

4.3 **Risk Mitigation:**

It is the process of responding to the risk. Risk needs to be prioritized in the process of analysis and evaluation for its mitigation based on its probability, impact and severity. Further, risk proximity (i.e. time window when the risks can surface), complexity of the mitigation plan, funding required can be considered for prioritizing the mitigation action. Accordingly, the risk can be avoided, reduced, transferred or shared.

(i) **Risk Avoidance:** The situation which gives rise to the risk can be avoided by excluding the activities or conditions that gives rise to risk. This is recommended for the risks with high severity.

(ii) **Risk Reduction:** For the risks which cannot be avoided, measures to reduce either the impact of risk or probability of occurrence can be deployed.

(iii) **Risk Transfer:** Transfer the total or partial risk to third party, e.g. client, third party vendor, sub-contractor, insurance company, etc.

(iv) **Risk Acceptance:** The risk with low severity can be accepted. Here, the cost of risk mitigation would be more than the risk exposure.

4.4 Risk Monitoring And Review

The Board emphasizes that risk management is an on-going process and takes place in all material elements of the Company's organizational structure. Dynamically changing legal and economic environment around the Company necessitates identifying and mitigating the risks on timely manner. The Board will thus evaluate the risks involved in the business from time to tim**e.**

5. BUSINESS CONTINUTY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more.

6. REPORTING

The Board shall present a statement attached to its report at the general meeting of the Company, indicating the development and implementation of this Policy for the Company, including identification therein of elements of risk, if any, which in the opinion of the Board, may threaten the existence of the Company.

7. AMENDMENTS

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.